

Message Text

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ACTION EB-08

INFO OCT-01 EA-07 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /105 W

-----101056Z 099828 /22

R 100355Z MAR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6932

INFO AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

USINT BAGHDAD

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E.O. 11652: NA

TAGS: ENRG, KP, KU, SA, IZ, MY, ID

SUBJECT: POSSIBLE PRICE SHAVING BY OPEC OIL SUPPLIERS

SUMMARY: ACCORDING TO A CENTRAL BANK SOURCE, GERONIMO VELASCO, PRESIDENT OF PHILIPPINE NATIONAL OIL COMPANY, HAS INDICATED THAT THE PHILIPPINES RECEIVES A PRICE REDUCTION OF PERHAPS 10 PERCENT ON CRUDE OIL FROM OPEC STATES. THE EMBASSY WAS UNABLE TO CONFIRM THIS FROM OTHER TRADE SOURCES, AND CONCLUDES THAT IF PRICE SHAVING DOES EXIST, IT IS NOT A SIGNIFICANT FACTOR IN TOTAL PHILIPPINE PAYMENTS FOR OIL IMPORTS. END SUMMARY.

1. DURING DISCUSSION WITH EMBOFF AND USG CONSULTANT (ALAN GOODMAN) ON NORTH/SOUTH ECONOMIC ISSUES, CENTRAL BANK DEPUTY GOVERNOR BENITO LEGARDA RESPONDED TO QUESTION ON PRICE SHAVING ON PETROLEUM SUPPLIES FROM OPEC. LEGARDA STATED THAT HE HAD HEARD THAT DISCOUNTS WERE

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POSSIBLE AND THAT HE HAD CALLED GERONIMO VELASCO, PRESIDENT OF THE PHILIPPINE NATIONAL OIL COMPANY (PNOC). VELASCO CONFIRMED THAT THE PHILIPPINES DOES RECEIVE A DISCOUNT AND CAUTIONED LEGARDA THAT THE FACT IS "SUPPOSED TO BE A STATE SECRET." LEGARDA STATED THAT THE MAGNITUDE OF THE PRICE SHAVING IS "ABOUT 10 PERCENT."

2. EMBASSY OFFICERS HAVE ATTEMPTED TO VERIFY THAT PRICE SHAVING TAKES PLACE. THE PNOC OFFICIAL IN CHARGE OF THE OFFICE OF PLANS AND RESEARCH WHICH NEGOTIATES PNOC GOVERNMENT-TO-GOVERNMENT CONTRACTS NOTES THAT SAUDI ARABIA STICKS STRICTLY TO ITS POSTED PRICES. HE CONCEDES THAT OTHER ARAB SUPPLIERS "HAVE BEEN MORE LIBERAL ABOUT STICKING OR NOT STICKING TO THE PUBLISHED PRICE", AND THAT THE PHILIPPINES GETS THE "MOST FAVORED" PRICE, I.E., THEY GET THE PRICE KUWAIT AND IRAQ GIVE TO "OTHER COUNTRIES IN SIMILAR CIRCUMSTANCES". A CALTEX OFFICIAL STATES THERE IS NO PRICE SHAVING FOR THE PRIVATE OIL COMPANIES, BUT CONCEDES HE BELIEVES IT IS DONE IN THE GOVERNMENT TO GOVERNMENT CONTRACTS OF PNOC.

3. HOWEVER, THE PNOC GOVERNMENT TO GOVERNMENT CONTRACTS STILL COVER THE HIGHEST-PRICED OIL COMING INTO THE PHILIPPINES. OFFICIAL (SUPPOSEDLY NOT SHAVED) PRICES TO PNOC AFTER THE LATEST OPEC HIKE ARE: BASHRAH (IRAQ) 12.65 \$/BBL, KUWAIT 12.37 \$/BBL, MIRO (MALAYSIA) 13.48 \$/BBL, AND WALIO/KASIM (INDONESIA) 13.00 \$/BBL, ALL DEEMED FOB PRICES. THE RESPECTIVE PERCENT INCREASES OVER 1976 WERE 10.4 PERCENT, 10.2 PERCENT, 6.1 PERCENT, AND 8.3 PERCENT, WHICH ARE THE HIGHEST PERCENTAGE INCREASES OF ALL CRUDE IMPORTS.

4. ALSO, WE HAVE HEARD CONFIDENTIALLY FROM BOTH CALTEX AND PNOC SOURCES THAT CALTEX IS BEING ASKED TO ARRANGE FOR SHIPMENTS OF ARABIAN CRUDE FROM ARAMCO LIMITED OFFICIAL USE

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FOR PNOC TO INCREASE THE COUNTRY'S OVERALL IMPORTS OF CHEAPER CRUDE. THIS WOULD NOT APPEAR TO BE NECESSARY IF PNOC WERE RECEIVING A 10 PERCENT PRICE SHAVE FROM ITS OTHER OPEC SUPPLIERS. WE HAVE CONFIRMED REPORTS THAT THE GOP/PNOC HAS BEEN STRIVING IN VEIN SINCE LAST NOVEMBER TO CONCLUDE A GOVERNMENT TO GOVERNMENT CONTRACT WITH SAUDI ARABIA TO REPLACE ITS ONL CONTRACT INHERITED FROM EXXON WHICH EXPIRED LAST YEAR. VELASCO LEFT FOR THE MIDDLE EAST WITH SOME FANFARE MARCH 7 REPORTEDLY TO RENEGOTIATE SAUDI ARABIA AND KUWAIT GOVERNMENT OT GOVERNMENT CRUDE CONTRACTS.

5. ON THE BASIS OF EVIDENCE CURRENTLY AT HAND, EMBASSY CONCLUDES THAT IT IS DOUBTFUL THAT THE PHILIPPINES BENEFITS SIGNIFICANTLY FROM ANY PRICE SHAVING BY OPEC COUNTRIES. AT MOST, IT WOULD AFFECT ONLY GOVERNMENT TO GOVERNMENT (PNOC) CONTRACTS WITH OPEC SUPPLIERS WHICH CONSTITUTES ABOUT 40 PERCENT OF

TOTAL PHILIPPINE IMPORTS. AND EVEN ASSUMING THAT
OFFICIAL PNOC PRICES CONCEAL THE ACTUAL DISCOUNTED
PRICES (WHICH WOULD HAVE TO BE FURTHER CONCEALED IN
BALANCE OF PAYMENTS DATA), ANY DISCOUNT IS
APPARENTLY INSUFFICIENT TO NEGATE THE POSTED PRICE
ADVANTAGE OF SAUDI ARABIAN CRUDE.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
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Litigation History:
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
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Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3151606
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Status: NATIVE
Subject: POSSIBLE PRICE SHAVING BY OPEC OIL SUPPLIERS SUMMARY: ACCORDING TO A CENTRAL BANK SOURCE, GERONIMO VELASCO, PRESIDENT OF PHILIPPINE NATIONAL OIL COMP
TAGS: ENRG, ETRD, RP, KU, SA, IZ, MY, ID, OPEC
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/45acd1ba-c288-dd11-92da-001cc4696bcc
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